

**Chairman Tom Davis
Opening Statement
Government Reform Committee Hearing
“Low Clearance: Why Did DOD Suddenly Stop Processing
Private Sector Security Clearances?”
Wednesday, May 17, 2006
1:00 p.m.
Room 2154 Rayburn House Office Building**

Good afternoon and welcome to today’s hearing to investigate the decision of the Defense Security Service (DSS) to institute a moratorium on all private sector requests for personnel security clearance investigations.

Each year, the federal government hires private companies to perform under defense and security-related contracts worth billions of dollars. Much of that work requires employees to be issued security clearances – to be checked and approved for access to information classified as Confidential, Secret or Top Secret. If workers can’t get cleared, important national security work will not get done on time, and costs will increase dramatically to the government and the taxpayer.

Unfortunately, this is not the first disruption of a troubled DOD system that seems to be suffering a cyclic downward spiral. Intractable backlogs and lengthy delays in the security clearance process have prompted other hearings, other promises of reform. In testimony before this Committee in May of 2004, GAO reported that processing time for private sector clearance requests had ballooned from an average of 56 days in fiscal year 2001 to more than a full year. At that time, backlogged cases numbered almost 200,000.

To address that untenable situation, I and others authored Title III of the Intelligence Reform and Terrorism Prevention Act of 2004, which called for better management, greater transparency and stronger accountability in the security clearance process. We also mandated adherence to long-ignored rules on reciprocity – recognition by one agency of clearances granted by another. In short, Congress has repeatedly indicated a strong desire to see the security clearance process function efficiently and effectively to meet urgent security requirements.

So it came as a nasty surprise, to say the least, when we learned that DSS had notified thousands of contractors that it would no longer be accepting any requests for private sector security clearances because the agency was about to run out of money. How could that happen? How could DSS, or their partners in this process at the Office of Personnel Management, keep blithely driving at full speed when the fiscal gas gauge on a critical national security vehicle was hitting “Empty?”

The impact of this decision is already being felt across the government and the corporate world. According to a May 8 story in the Federal Times, contractor employees with clearances have already begun asking their bosses for pay raises, and one company

is reportedly paying an IT-related employee without a Bachelor's degree a \$100,000 premium because he has a Top Secret security clearance. These anecdotes illustrate two things: An instinctive understanding of the law of supply and demand on the part of workers, and a penchant on the part of the federal government to run afoul of that law.

Smaller companies are disproportionately hurt by a dearth of security clearances. The largest defense contractors, which employ tens of thousands of people, are usually able to find someone on the payroll with a clearance to fill important roles. And if not, they are in a much stronger position to recruit cleared employees away from small companies by offering salaries that small businesses are unable to afford, transforming them from competitive enterprises to prime targets for acquisition. In a business environment where the Government is best served by competition among contractors, the kind of corporate consolidation that clearance shortages may lead to can only serve to drive up costs and hurt the taxpayer.

There will always be some kind of salary premium for those working on national security-related contracts, because there will always be a demand for employees who are willing and able to submit to the extensive background investigation required to gain access to our nation's secrets. But an inefficient system that leads to unnecessary shortages of security clearances is a self-imposed tax on the American people – and it is inexcusable.

I was pleased to learn yesterday that DOD has found the money to restart the processing of Secret level clearance requests, and I look forward to hearing that all requests have been reactivated in the near future. However, I also look forward to hearing today about the steps that are being taken to ensure that we will never again have to ask why, in a post-9/11 world, federal security clearances are not being processed in a timely and efficient manner. We owe nothing less to the American people and to the men and women, both in and out of government, who defend our national security.

I want to thank our distinguished witnesses for being here today and I look forward to their testimony.